MAR 17
1980

S&MM
SALES & MARKETING MANAGEMENT

MARCH 17, 1980
A BILL PUBLICATION
TWO DOLLARS

Lehigh breaks away from the herd

In a Lehigh Valley Farms commercial, a family that enjoys the great outdoors quaffs "America's most refreshing new soft drink," low-fat Lite milk.Using a brand name and advertising on TV are just two ways the farm co-op is bringing milk marketing into the 1980s. The results include a doubling of sales in just four months. Story on page 29.

Inside Out

Selling to the Soviets. Except for products redlined by the U.S. government, it's business as usual for marketers with Russian clients. Page 10.

Sales promotions. Cracker Jack packs some new prizes that are so big they won't even fit in the box. Page 13.

Cents-off coupons. A judge is asked to decide this intriguing question: are coupons a case of predatory pricing? Page 15.

Computers. As lower-cost computers enter the market, IBM experiments with low-cost selling. Page 19.

Airline marketing. World Airways is back in the sky to lure price-conscious passengers away from the major carriers. Page 19.

Training. To ensure that its new cardiovascular drug goes over, E.R. Squibb & Sons staged its most ambitious sales training program yet. Page 33.

Salesmanship. You're never too old to sell, says Henry Flarsheim, who, at age 83, offers himself as a prime example. Page 41.

Making the sale. For many salespeople, dealing with the customer's objections is the most objectionable part of selling. But it needn't be. Page 102.

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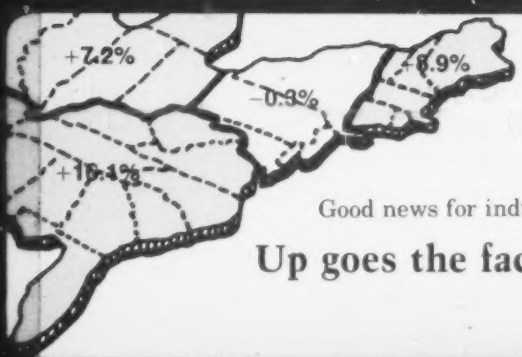

Good news for industrial marketers

Up goes the factory count

Page 36.

AN S&MM SPECIAL SECTION

TEST MARKETING cuts the risks

Page 51.

SILVER SPRIN
8901 COLESVILLE
SILVER SPRING

What's coming up

An S&MM Special Section: Sales incentives. Seven out of ten companies will be using incentive programs in 1980, the majority spending record amounts to guarantee results. S&MM tracks the most effective ways companies today use contests, awards, and recognition programs. Also: the results of our survey on, among other things, how industrial and consumer-goods marketers rate cash, merchandise, and travel incentives. Apr. 7.

How Josten's trains salespeople. S&MM spends a day with some new hires, who are taught selling, A to Z, the Josten way. Apr. 7.

Industrial markets. S&MM's annual *Survey of Industrial Purchasing Power* updates the 1977 *Census of Manufactures* for shipments by county and four-digit SIC industry. Apr. 28.

Customer sales planning. Marketing professor Daniel Caust explains a grid that enables salespeople to get the most out of a territory—and lets managers get the most out of salespeople. May 19.

Address all manuscripts and correspondence relating to editorial matters to The Editor, Sales & Marketing Management, 633 Third Ave., New York, N.Y. 10017.

Because S&MM is almost totally staff written, only a very small number of contributed articles can be accepted for publication. For that reason, contributors are urged to submit an initial query along with an outline.

All unsolicited manuscripts must be accompanied by a return envelope with sufficient first-class postage. We regret that those arriving without such postage cannot be returned.

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AN S&MM SPECIAL SECTION

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such as *California Business* and *Crain's Chicago Business*). Enter a new service to help researchers keep abreast of all that's being published of interest to them. It's called the Advertising and Marketing Intelligence Service (AMI), and it's a joint venture of the New York Times Information Service and J. Walter Thompson advertising agency.

Developed from a limited service provided to J. Walter Thompson by the Times' Information Service, AMI stores abstracts of articles and news items from 60 general and business publications (including S&MM) in a computer in Parsippany, N.J. Abstracts are added daily and appear on the user's own video and print terminals.

Wayne Fickinger, president of J. Walter Thompson, notes that the service is compatible with over 400 types of computer terminals. Access to AMI's computer via regular telephone lines costs $4,850 per year and includes 30 hours of on-line time. Each hour thereafter costs $95.

CENTS-OFF COUPONS

Grounds for a lawsuit?

In 1971 Procter & Gamble's Folger Coffee signalled its entry into the Cleveland and Pittsburgh markets with a salvo of cents-off coupons. The goal was to dislodge General Foods' Maxwell House brand, but the campaign hurt Breakfast Cheer, then owned by Indian Coffee Corp., Pittsburgh.

In 1974, Indian sold out to Wechsler Coffee Corp., Moonachie, N.J., but not before owner

S&MM BAROMETER

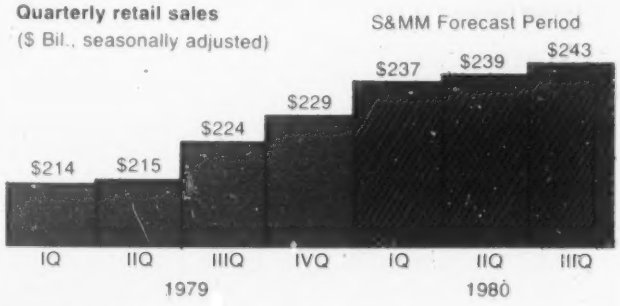
Shooting toward wage-price controls

January's consumer price index rise to an annual 18% rate heightened the prospect of wage and price controls. Michael Luckey, senior economist at Merrill Lynch Economics, New York City, thinks there is perhaps a 60% chance that controls will be enacted this year although "they won't work because they will not tackle the central problems behind the inflation."

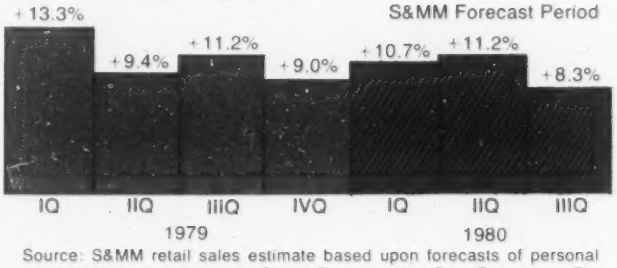
Meanwhile, despite personal savings standing at a postwar low, the unexpected strength in the employment picture and the prevalent psychology of buying in anticipation of future price increases suggests a 10.7% rise in retail sales in the first quarter, and an 11.2% increase in the second. Because retailers' prices will be escalating faster, the gains will be illusory, however.

Further clouds on the horizon: Consumer incomes will be pinched by higher energy prices, social security taxes, and inflated tax brackets, says Carol Brock Kenney, consumer economist at Shearson Loeb Rhoades, New York City. She predicts that they will mean a $60 billion income "drag," or restraint, on spending.

Quarterly retail sales
($ Bil., seasonally adjusted)



Retail sales vs. year-ago quarter



Source: S&MM retail sales estimate based upon forecasts of personal consumption expenditures by Chase Econometrics, Data Resources, Evans Economics, Merrill Lynch Economics, and Wharton Econometric Forecasting Associates.

* Sales & Marketing Management.

S&MM sneaks a look at a new *Census of Manufactures* and finds that the number of U.S. plants jumped 12.2% in 1972–77. Not bad for a postindustrial society.

Up goes the factory

By THAYER C. TAYLOR
Senior Editor/Management Sciences

A surprising increase in the number of prospects for industrial marketers is heralded by the first trickle of reports from the 1977 *Census of Manufactures*. An analysis by S&MM of preliminary state reports reveals that the number of manufacturing establishments surged 12.2% to 360,275, in the 1972–77 period.

What's more, the number of plants probably continued to expand steadily through 1979. Next month, S&MM's annual *Survey of Industrial Purchasing Power (SIPP)* will report that the number of factories with 20 or more employees now stands at 140,236, a healthy 22% rise over the 1977 total.

The 12.2% growth is significant for three reasons:

- It dwarfs the 3.1% gain that occurred between the 1967 and 1972 censuses, not to mention the 0.3% decline in the 1963–67 period.
- It took place despite the 1974–75 recession, the worst economic relapse since 1929.
- Contrary to all the talk about the postindustrial society of today and the information society of tomorrow, the figures show that manufacturing still has considerable vigor.

The growth is good news for consumer marketers, too. Factory payrolls are the single biggest component of Effective Buying Income, so shifts in manufacturing activity influence a local market's buying power.

Regional trends highlighted by forthcoming Census Bureau reports will come as no surprise to users of S&MM's *SIPP*, which has documented the acceleration of industrial growth in the South and West.

The Rocky Mountain region, starting from a small base, set the pace in 1972–77 with a 32% increase in manufacturing plants. Next came the Southwest, up 28%, and Far West, 27%.

Although these growth rates may give marketers some idea of how to deploy their sales force in the future, they don't tell the whole story. For example, the Rocky Mountain's 32% advance translates into a numerical gain of only 2,172 factories. In contrast, the highly industrialized Great Lakes grew less than one-fourth as fast but added more than twice as many new plants, 4,651.

In the "war between the belts," the Sunbelt gained rapidly on the Snow Belt. The number of plants in the states that form the southern perimeter from North Carolina to California increased 23%, to 130,195, vs. a 3.4% gain, to 158,236, by the industrial area stretching from Massachusetts to Wisconsin. If these sharply divergent rates continue, the Sunbelt will take the lead in total plants by the mid-1980s.

All this is *not* simply the result of manufacturers forsaking the North for cheap southern labor, however. David L. Birch, a consultant with the Massachusetts Institute of Technology's program on neighborhood and regional change, says that "the physical migration of firms from one state to another is relatively insignificant, rarely exceeding 0.1% of the job base." More critical, he concludes, "is the birth of new plants and enterprises and the rate at which dying ones are replaced."

Industrial marketers who dig into the 1977 census data are sure to make the Southeast a focal point of long-range planning. As a result of its 16% growth, the region boasts more manufacturing prospects, 69,558 plants, than the highly

count

industrialized Great Lakes, 69,324, and is topped only by the Mideast, 76,270. Even more significant is the region's changed industrial mix. E. Evan Brunson, director of governmental affairs at the Southern Growth Policies Board, observes, "The region's traditional low-wage industries account for only 25% of manufacturing employment growth while the newer, higher-wage industries, such as nonelectrical machinery and chemicals, have about 42% of new jobs."

His contention is supported by data on value added by manufacturers, which is calculated by taking shipment figures and subtracting the cost of purchased materials. Although the Great Lakes is far ahead with a 27.4% share of U.S. total value added, the Southeast has drawn even with the Northeast at 19.3%. Equally important are the figures on value added per employee, which indicates how productively factories are used. Here the Southeast's rate of increase in 1972–77 was 62.4%, second only to a 75.9% gain in the Southwest, which is heavily oriented toward electronics.

Where the industrial prospects are

Region & State	Total Plants 1977	% Change 1972–77	Plants 20+ Employees	Value Added ($Mil.)	% Of U.S.	Total Employment (Thous.)
NEW ENGLAND	**25,849**	**+ 8.9%**	**8,974**	**$36,218.3**	**6.1804%**	**1,406.7**
Connecticut	6,486	+11.2	2,335	10,998.9	1.8769	413.1
Maine	2,153	+ 4.2	600	2,346.6	.4004	103.1
Massachusetts	11,258	+ 4.5	4,171	16,895.4	2.8831	627.1
New Hampshire	1,821	+27.0	625	2,162.6	.3690	94.9
Rhode Island	3,103	+12.6	943	2,764.8	.4718	125.7
Vermont	1,028	+19.8	300	1,050.0	.1792	42.8
MIDEAST	**76,271**	**– 0.3**	**26,780**	**113,197.6**	**19.3161**	**4,009.1**
Delaware	622	+ 9.7	237	1,618.0	.2761	68.6
Dist. of Columbia	557	– 1.2	132	612.2	.1045	18.6
Maryland	3,923	+ 9.6	1,350	7,108.7	1.2130	241.9
New Jersey	15,735	+ 4.4	5,810	23,197.1	3.9583	783.7
New York	36,652	– 4.5	11,483	44,676.9	7.6237	1,550.5
Pennsylvania	18,781	+ 2.1	7,768	35,984.7	6.1405	1,345.8
GREAT LAKES	**69,324**	**+ 7.2**	**26,011**	**160,406.8**	**27.3721**	**4,998.5**
Illinois	19,539	+ 5.7	7,462	40,277.2	6.8730	1,286.9
Indiana	8,068	+ 9.7	3,227	22,593.7	3.8554	704.9
Michigan	15,655	+ 8.2	5,407	37,480.4	6.3957	1,119.2
Ohio	17,381	+ 6.0	6,744	43,294.0	7.3878	1,345.8
Wisconsin	8,681	+10.6	3,171	16,761.5	2.8602	541.7
PLAINS	**24,349**	**+13.4**	**7,817**	**40,064.8**	**6.8367**	**1,304.4**
Iowa	3,789	+11.8	1,245	8,715.8	1.4873	239.9
Kansas	3,270	+15.1	1,043	5,385.3	.9190	172.0
Minnesota	6,635	+16.4	2,125	9,245.3	1.5776	330.3
Missouri	7,374	+ 9.5	2,438	12,813.5	2.1865	435.8
Nebraska	1,969	+14.3	627	2,821.8	.4815	90.0
North Dakota	573	+18.9	146	474.6	.0810	14.2
South Dakota	739	+21.7	193	608.5	.1038	22.2
SOUTHEAST	**69,558**	**+16.1**	**22,973**	**113,096.7**	**19.2990**	**4,207.7**
Alabama	5,859	+17.5	1,860	8,348.7	1.4246	340.3
Arkansas	3,600	+24.2	1,102	4,865.0	.8302	194.3
Florida	12,366	+20.3	2,909	9,332.1	1.5924	357.6
Georgia	8,630	+13.2	2,908	12,499.7	2.1330	484.4
Kentucky	3,553	+12.1	1,317	9,440.1	1.6100	277.0
Louisiana	4,245	+16.0	1,230	9,503.1	1.6216	194.2
Mississippi	3,283	+20.4	1,143	5,598.5	.9553	219.2
North Carolina	9,939	+15.1	3,994	18,105.6	3.0896	763.9
South Carolina	4,227	+ 8.4	1,562	8,095.4	1.3814	375.3
Tennessee	6,499	+ 8.4	2,485	12,635.0	2.1561	488.1
Virginia	5,497	+13.6	1,873	10,765.4	1.8370	394.5
West Virginia	1,860	+ 7.3	588	3,908.1	.6669	118.9
SOUTHWEST	**26,180**	**+28.2**	**7,666**	**41,715.2**	**7.1238**	**1,198.4**
Arizona	2,896	+42.2	677	3,387.6	.5781	110.7
New Mexico	1,325	+42.8	259	790.0	.1341	30.4
Oklahoma	3,825	+25.8	1,071	4,650.7	.7936	168.1
Texas	18,134	+25.7	5,659	32,922.9	5.6180	889.2
ROCKY MOUNTAIN	**8,881**	**+32.4**	**2,155**	**9,182.8**	**1.5670**	**310.7**
Colorado	3,952	+39.1	968	4,551.8	.7767	151.9
Idaho	1,491	+25.3	378	1,418.5	.2421	51.7
Montana	1,172	+24.3	204	860.3	.1468	24.0
Utah	1,757	+29.5	502	1,971.5	.3364	74.2
Wyoming	509	+35.0	103	380.7	.0650	8.9
FAR WEST	**59,864**	**+26.6**	**16,720**	**72,104.9**	**12.3042**	**2,291.3**
Alaska	430	+25.7	129	479.3	.0818	11.4
California	45,331	+26.9	12,920	55,452.3	9.4625	1,770.0
Hawaii	946	+22.4	231	790.9	.1350	25.1
Nevada	731	+63.5	148	497.8	.0849	15.2
Oregon	5,717	+ 8.2	1,578	6,255.7	1.0675	203.9
Washington	6,709	+25.6	1,714	8,628.9	1.4725	265.7
U.S.	**360,275**	**+12.2%**	**119,094**	**$586,023.1**	**100.0000**	**19,726.8**

Note: Details may not add to totals due to rounding.
Sources: S&MM calculations; Census Bureau, 1977 *Census of Manufactures: Selected Statistics for States: MC77-S-2(P)*, and individual state reports in the geographic area series.
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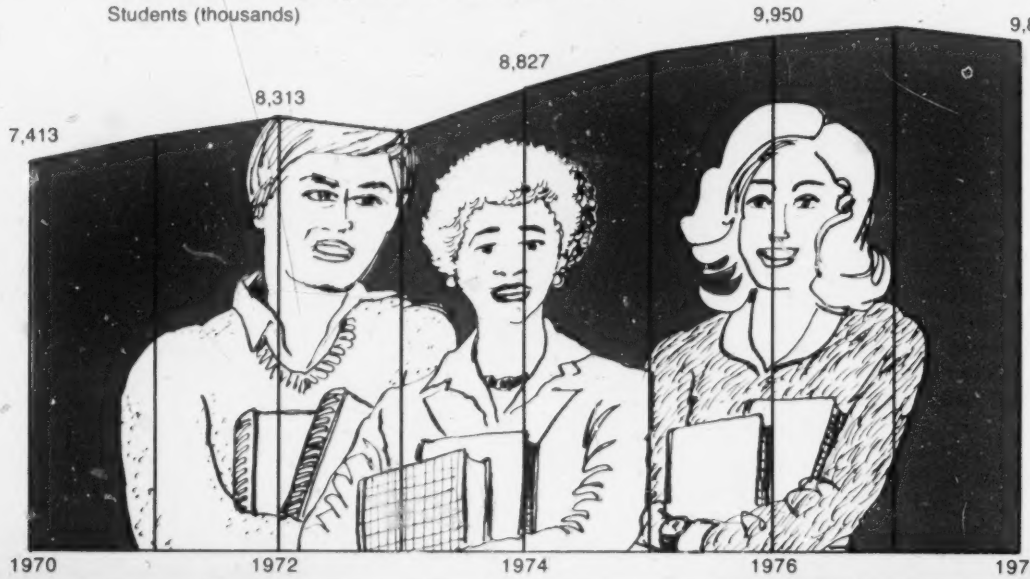
S&MM MARKETGRAPH

The changing face of the college crowd

U.S. college campuses present a sharply different scene today than in the early 1970s. Because of the trend of delayed marriages and the emphasis on longer career preparation, the number of older students has increased. At the same time, the focus on women's rights has resulted in more female students. This is also true in graduate schools, which are of special interest to marketers.

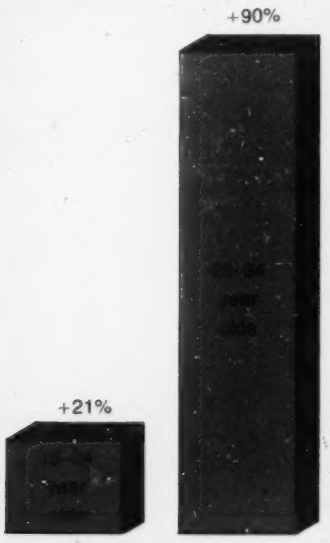
Enrollment is up by one-third since 1970

Students (thousands)



At last, the campus shows some signs of growing up

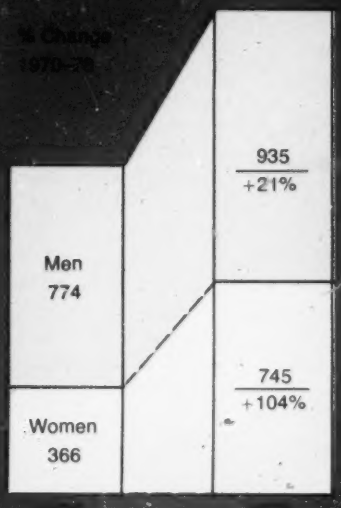
% Increase, 1970–78



More graduate students means greater buying power

Students (thousands)

% Change 1970–78



Note: Details may not add up to totals because of rounding.

Sources: Census Bureau, *School Enrollment—Social and Economic Characteristics of Students: October 1978*, Series P-20, No. 346; National Center for Education Statistics, *The Condition of Education*, 1979 edition.

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SALES & MARKETING MANAGEMENT

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Industrial marketing: Dana's clutch hitters

What's the remedy when demand tapers off in your basic business? Dana Corp.'s answer is a special marketing team assigned to go after a spectrum of industrial markets. Heading the effort are Jack Neff, vice president, North American Marketing (top left), and general sales manager Len Newblom. Chart above shows how their sales engineers work with distributors to service accounts of all sizes. Page 31.

Inside Out

Media. Not even a lost RCA communications satellite will ground Ted Turner's newest cable TV venture. Page 10.

Merchandising. Authors' woes include (1) critics and (2) bookstores that can't meet demand. Waldenbooks has an answer to the second problem. Page 15.

New products. If you think that most fail, you're wrong. A just-published survey shows that two-thirds click. Page 20.

Ma Bell's big move. Even as the legislative mills grind on, AT&T's top management goes ahead with a plan to create a separate, unregulated subsidiary for data communications. Page 27.

Cooperative advertising. Retailers often complain that manufacturers' co-op plans should be standardized. Now a trade group is adopting the idea. Page 83.

A significant trend. Not since 1975 has Detroit produced a convertible, thereby creating a growth market for a cottage industry. Page 100.

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Sales Incentives
Give a little, Get a lot

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WHAT MARKETERS CAN EXPECT

The 1980 Census

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/ACQUISTIONS DEPT ***
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WASHINGTON DC 20014

What's coming up

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An S&MM Special Section: Industrial Advertising. Case histories and tips on using advertising for best results. Plus, an exclusive S&MM survey on what sales executives think of (and contribute to) the advertising process. May 19.

Olivetti. Its fortunes in the U.S. office-equipment market sagging, the Italian company picks a woman to put its sales here back on course. June 9.

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55 **Sales Incentives—Give a little, get a lot**
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only two R-22s a week, so marketing coordinator Karen Walling's biggest problem isn't new sales but pacifying some 80 eager dealers—most established sellers of fixed-wing aircraft. Thus Robinson is at work on what he needs most—a plant expansion that will let him deliver 10 helicopters a week, putting him a notch closer to competing with Cessna's and Piper's smaller fixed-wing aircraft.

CONSUMER RESEARCH

A pitch right from the heart?

They laughed when he set out to prove that a consumer's buying intentions could be gauged by the pitch of his or her voice, but after five years Glen A. Brickman and Vopan Marketing Research, Boston, are suddenly awash with respectability. After addressing the Advertising Research Foundation last month, Vopan founder-president Brickman and executive vice president Larry Ramsey are readying speeches for meetings of the American Marketing Assn. and the Advertising Club of New York in April.

Simply stated, the pitch theory is that the vocal cord is like a guitar string that becomes taut when a person expresses a conviction such as intent to buy a product. Brickman contends that measuring that particular note on the individual's unique voice "scale" yields more revealing results than the usual questionnaires.

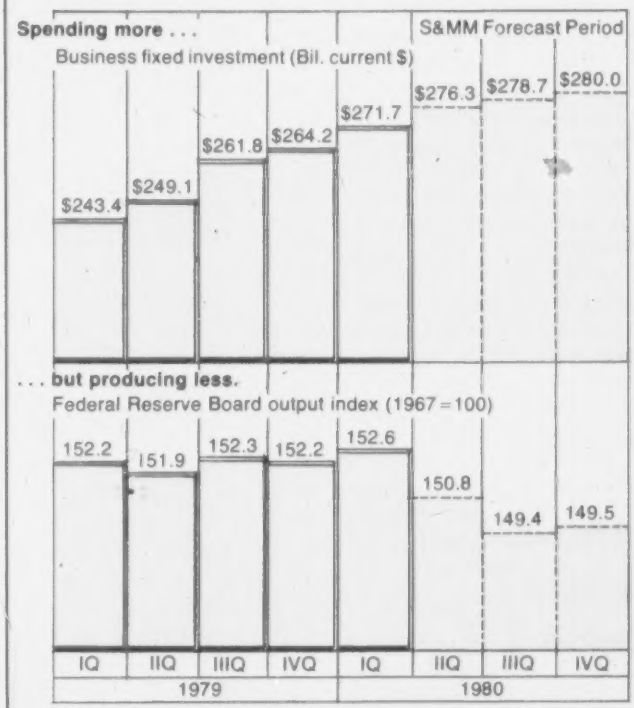
A Vopan field interviewer warms up his subject with routine questions to establish the

S&MM BAROMETER

Roses and thorns for the industrials

Industrial-goods marketers are caught on the horns of a forecast dilemma. On the one hand, as a spokeswoman for Chase Econometrics notes, the Administration's third anti-inflation package in four years aims at forcing a recession to curb demand. On the other hand, as Data Resources senior economist Lee Philips observes, business spending is at a high level because of the need to modernize capital stock, ward off foreign competition, and comply with environmental regulations.

The leading econometric consultants polled by S&MM last month expect the downward pressures to win. They see year-to-year gains in business fixed investment ebbing—a 10.9% climb in the second quarter, 6.5% in the third, and 6.0% in the fourth. Still, the Commerce Dept.'s latest survey finds capital spending plans by businesses up 11% for 1980, and a Conference Board poll reveals that capital appropriations shot up an unusual 9% in last year's fourth quarter.



Sources: Consensus forecast of Chase Econometrics, Data Resources, Evans Economics, Merrill Lynch Economics, and Wharton Econometric Forecasting Associates.

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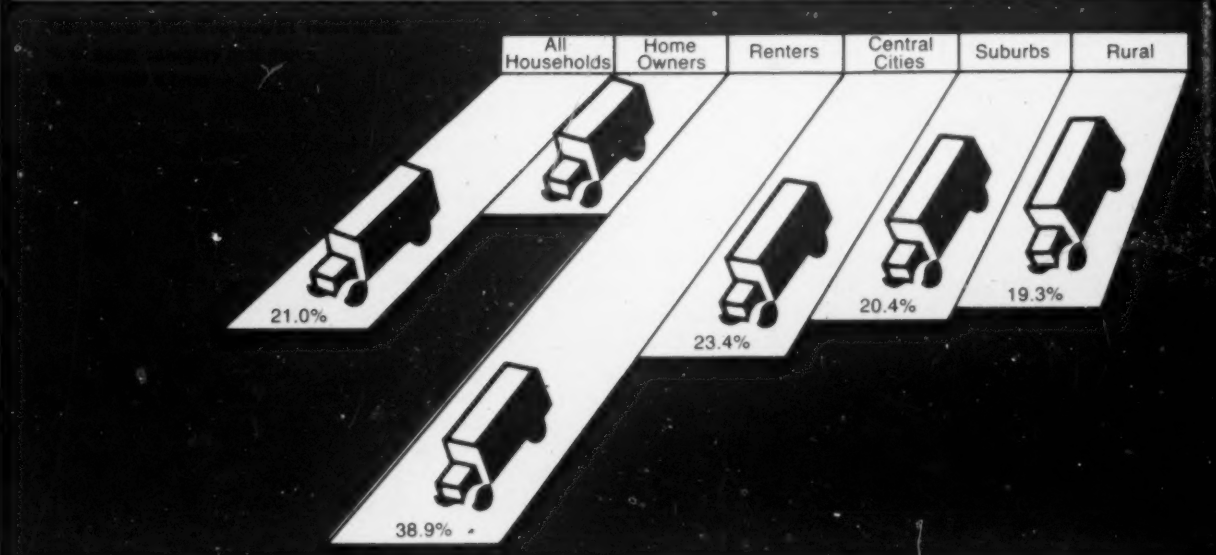
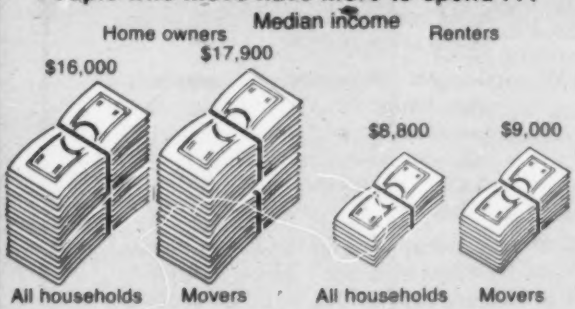
S&MM MARKETGRAPH

Mobile Americans: A moving target with sales potential

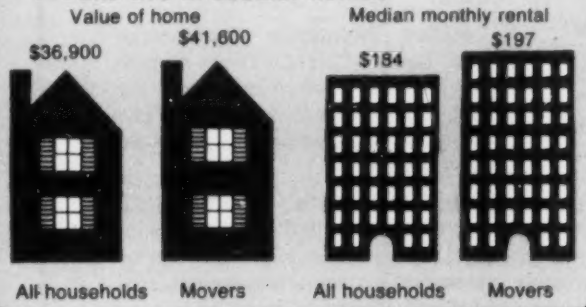
With one out of five households on the move each year, mobility presents numerous opportunities for marketers. In general, people who move are more upscale than their stay-put counterparts, boasting higher incomes and costlier homes. Why do they move? Over 38% want to satisfy housing needs, such as owning their own home or living in a better neighborhood. The next largest cause is a change in family status, such as marriage, divorce, or the arrival of more children. Although current uncertainties about energy may reduce the mobility rate, it's just as likely that they will encourage more people to move from the high-cost, energy-poor Northeast to Sunbelt and Rocky Mountain states.



People who move have more to spend . . .

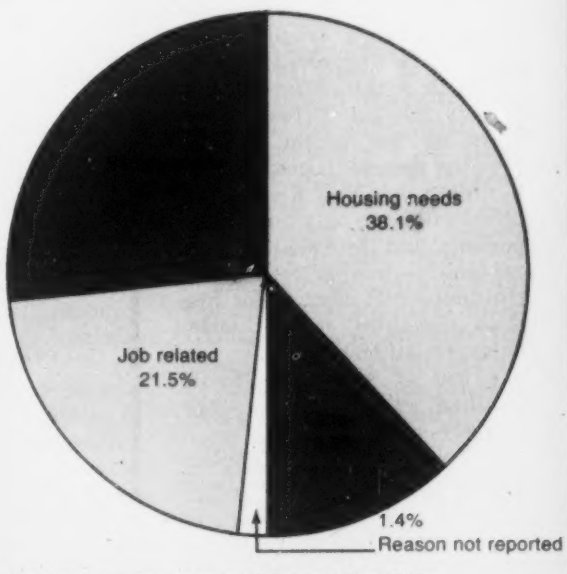


. . . and live in costlier homes



Why they pull up stakes

Main reason for moving



Note: Details won't add to 100% because of rounding.

Note: Movers are those households that moved within the year prior to the survey, which was taken between October 1977 and January 1978. **Source:** Census Bureau and U.S. Dept. of Housing and Urban Development, *Annual Housing Survey: 1977, Housing Characteristics of Recent Movers*, Series H-150-77, Part D.

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Sales Incentives Give a little, Get a lot

Nearly 7 in 10 sales executives use merchandise, travel, and cash incentives to stimulate sales. Incentives work so well, in fact, that an exclusive S&MM survey finds that this year over 40% of companies will run more programs than they did in 1979.

Sales Incentives
Give a little, Get a lot

Merchandise, travel, and cash incentives are such effective motivators that sales and marketing executives are boosting their 1980 incentive budgets.

INCENTIVE GAME PLAN

By SALLY SCANLON
Senior Editor

With inflation running at a staggering 20% annual rate, sales executives aren't playing games with their marketing budgets this year. Nevertheless, 69% of them will offer their salespeople merchandise, travel, or cash incentives for doing jobs that, some observers grumble, they're paid to do anyway. Moreover, 60% of incentive users will increase their spending this year, and nearly half plan to run more programs than they did last year.

Those are some of the highlights of an exclusive S&MM survey of current sales incentive practices. The survey, mailed in January to 1,000 subscribers, explored such areas as 1980 incentive budgets and program plans, prizes offered, program evaluation methods, and what steps sales and marketing executives take to make their programs fair; it also asked managers about their sales force recognition programs.

The rationale for a well-designed incentive program is *not* to get the salesperson or field sales manager to do his normal, everyday best. It's to stimulate him to put out the extra effort required to achieve specific short-term sales goals, such as opening a certain number of new accounts or selling a more profitable product mix.

The majority of sales executives think incentives are highly effective. Here's a sampling of their comments:

- "Historically, in our case, sales and new accounts increase when an awards program is in force." (National sales manager, $10 million-or-less industrial company)
- "Incentives help us selectively promote profitable line items." (Sales manager, $26–$50 million consumer-goods company)
- "During a time of high inflation, incentive programs are well-received by sales." (Regional manager, $501 million-or-over consumer-goods company)
- "Incentives help our company achieve short-term goals." (Sales training specialist, $501 million-or-over industrial company)
- "We have very tough competition. Motivation for extra effort is a must, and incentives motivate." (Corporate vice president, $501 million-or-over industrial and consumer goods company)

Although the highest percentage of incentive users is found in nonindustrial companies and in companies with annual sales of $11 million or more, our survey confirms that incentives have broad use. An analysis of responses by line of business and by annual volume shows that 50% or more of all respondents in each of the business and volume categories use incentives (Table A, at right). Their goals include:

- Stimulating sales;
- Increasing motivation;
- Concentrating on specific products or lines;
- Signing new business;
- Increasing activity in new geographic areas;
- Promoting new lines;
- Increasing market penetration.

To achieve those goals, 61% plan to increase their incentive budgets this year (Table B, page 58). Now that's hardly surprising in a year plagued with double-digit inflation. But

1980: AN S&MM SURVEY

the survey shows that the increases will be spent to boost participation as well as to meet rising costs. Thus 41% plan to spend more and to run more programs than they did last year, while 21% will spend more but run the same number of programs.

Several executives in both groups plan to increase the value of the awards they offer. As the vice president of a $101–$500 million insurance company says, "We're running the same number of programs this year, but we're after more participants and winners. We're also giving awards of greater value." The sales vice president of a small services company adds, "We're looking for a 20% increase in sales, and we feel we should up the ante in prizes."

There are dissenters, of course. Seven percent of users plan to decrease their 1980 incentive spending. About the same percentage will run fewer programs this year (Table B, page 58). Reasons for the decreases vary. Some respondents have had their budgets cut; others say that this year's marketing mix requires fewer programs because, for example,

Survey results: The big picture

(Base: 245 replies)*

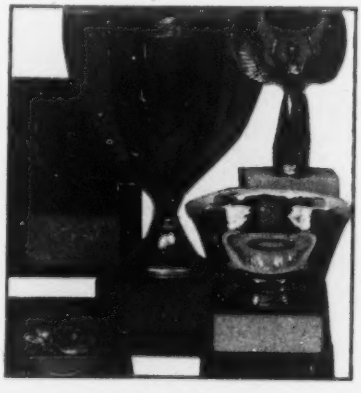
A

1. Will your company or division offer merchandise, travel, cash, or other incentives that are not a part of your regular compensation program to your own or to outside salespeople this year?

Yes	69%
No	31

2. Does your company or division have a formal recognition program for top salespeople, such as a president's club or salesman of the year award?

Yes	52%
No	46



3. Your line of business?

	Total sample	*% of users among them*
Industrial	56%	57%
Consumer goods	35	81
Services	10	81
Distribution	8	86

4. Your annual sales?

	Total sample	*% of users among them*
$10 million or less	23%	50%
$11–$25 million	20	61
$26–$50 million	15	76
$51–$100 million	13	64
$101–$500 million	17	90
$501 million or over	8	85

*Percentages total more or less than 100 because of multiple answers and no answers.